

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
----- 107337
R 031600Z SEP 76
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 6730

C O N F I D E N T I A L CAIRO 11925

EXDIS

E.O. 11652: GDS
TAGS: PFOR EINV EG US
SUBJ: FORD

REF: CAIRO 11830

1. FREDERICKS CALLED ON AMBASSADOR AFTERNOON OF
SEPTEMBER 2 TO REPORT ON RESULTS OF HIS MEETINGS
WITH GOE OFFICIALS.

2. MOST INTERESTING SESSION, FREDERICKS SAID, WAS
WITH FAHMY SINCE WISDOM OF MAKING PERSONAL VISIT
WAS IMMEDIATELY APPARENT. FREDERICKS DELEVERED
LETTER FROM FORD (COPY OF WHICH WAS GIVEN TO
NEA/EGY SOMETIME AGO), AND FAHMY IMMEDIATELY
REACTED VERY STRONGLY TO REFERENCE IN OPENING
PARAGRAPH THAT VISIT WAS OF A FACT-FINDING NATURE.
FAHMY SAID IT WOULD BE DIFFICULT TO FIND "MORE
OBNOXIOUS PHRASE". ISSUE AT HAND, HE ADDED, WAS
"INVESTMENT, NOT FACTS". FREDERICKS SAID THAT
VISIT WAS TAKING PLACE IN RESPONSE TO EARLIER
MESSAGE FROM SAHFEI TO EFFECT THAT NO CHANGES IN
INVESTMENT LAW COULD BE MADE. COMPANY THEREFORE
FELT IT HAD TO COME BACK TO EXAMINE EGYPTIAN
OPINIONS IN LIGHT OF NEW CIRCUMSTANCES.

3. FAHMY EVIDENTLY ACCEPTED THIS EXPLANATION AND
THEN SAID THAT FORD INVESTMENT SHOULD BE BIG IN
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ORDER TO JUSTIFY EGYPTIAN EFFORTS TO LIFT THE

BOYCOTT. HE SAID "\$1 MILLION SHOULD ACTUALLY BE \$500 MILLION". FREDERICKS EXPLAINED THAT FORD ARRIVED AT CURRENT ESTIMATE OF SIZE OF INVESTMENT ON BASIS OF MAKING A STUDY AS TO WHAT WAS NEEDED: TOTAL FIGURE IS RESULT AND NOT A GOAL AT WHICH COMPANY CAN AIM. FAHMY REPORTEDLY ALSO ACCEPTED THIS EXPLANATION.

4. ON SUBJECT OF FINANCE, FAHMY OBJECTED TO IDEA THAT GOE WAS TO MAKE EFFORT TO RAISE MONEY FOR FORD, POINTING OUT IT WAS DIFFICULT FOR EGYPTIANS TO DO FOR THEMSELVES. FREDERICKS SAID HE EXPLAINED THAT THIS WAS NOT TASK FOR GOE, BUT CLEARLY EGYPTIAN APPROVAL OF EFFORT TO OBTAIN FUNDS FROM ARABS WOULD BE REQUIRED. FAHMY RESPONDED THAT HE PERSONALLY GAVE THE GREEN LIGHT FOR FORD TO GET FUNDS FROM "ANYONE EXCEPT ISRAELIS". IN RESPONSE TO QUESTION AS TO WHETHER OR NOT GOE INTENDED TO BE FINANCIAL PARTNER, FAHMY SAID THAT DECISION WOULD BE MADE LATER.

5. ON ISSUE OF ESTABLISHING PLANT IN FREE ZONE, FAHMY SAID THAT HE WOULD PERSONALLY HANDLE THAT PROBLEM. CUSTOMS AND DUTIES ON IMPORTS INTO EGYPT WERE SOMETHING THAT HE COULD TAKE CARE OF.

6. TURNING TO BOYCOTT, FAHMY INSISTED THAT THERE WAS NO COMMITMENT, PUBLIC OR SECRET, THAT HE WOULD GET ANYONE REMOVED FROM BLACKLIST, BUT EGYPT IS PREPARED TO ACT IF FORD MAKES APPROPRIATE INVESTMENT. FAHMY ADDED, WITH OBVIOUS REFERENCE TO RECENT FORD VISIT TO KUWAIT, THAT NO ONE ELSE CAN GET FORD REMOVED FROM BOYCOTT, AND "CERTAINLY NOT THE KUWAITIS". HE ADDED THAT APPROPRIATE STEPS COULD BE TAKEN FORMALLY IN EGYPT, FOLLOWED BY OTHERS, INFORMALLY IN EGYPT OR BY "OTHER MEANS".
(EMBASSY COMMENT: OTHER MEANS IS PROBABLY DIRECT APPROACH TO BOYCOTT COMMISSION, BUT CURRENT STATUS ON INTER-ARAB RELATIONS, ESPECIALLY EGYPT-SYRIA, CONFIDENTIAL

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WOULD PROBABLY RULE OUT THIS METHOD.)

7. HE URGED THAT COMPANY RETURN IN LATE SEPTEMBER, IN KEEPING WITH FORD LETTER AND, IN RESPONSE TO QUESTION AS TO WITH WHOM ISSUE SHOULD BE PURSUED, SAID THAT IT SHOULD BE DONE WITH SAHFEI SINCE HE (FAHMY) IS NOT A TECHNICIAN. IN RESPONSE TO A QUESTION CONCERNING WHO WILL FINALLY APPROVE

PROJECT, FAHMY MODESTLY SAID "I AM EGYPT.
IF I APPROVE, EGYPT APPROVES."

8. SESSION WITH SAHFEI WAS DESCRIBED BY FREDERICKS
AS A NON-MEETING AND LASTED ONLY EIGHT MINUTES
SHAFEI DID NOT READ THE FORD LETTER AND APPEARED
UNINTERESTED IN ENTIRE QUESTION. HE WAS EVIDENTLY
GLAD TO HEAR THAT FORD IS PURSUING THIS SUBJECT,
BUT SUGGESTED THAT NEXT VISIT AVOID BOTH RAMADAN
AND "IMF TALKS".

9. MEETING WITH PRIME MINISTER IMMEDIATELY FOLLOWED
THAT OF AMBASSADOR (REFTEL) WAS REPORTED AS BEING
COURTEOUS AND NON-COMMITTAL. KEY POINT RAISED BY
SALIM WAS THAT TAX RELIEF COULD NOT BE GRANTED
FOR 25 YEAR PERIOD. HE ALSO STRESSED THAT
EGYPT WANTS FORD, A COMPANY THEY KNOW ABOUT. OTHER
FIRMS HAVE APPROACHED GOE FOR SIMILAR PROJECTS, BUT
FORD PROPOSAL IS BEST AND PM IS SURE REMAINING
PROBLEMS CAN BE RESOLVED. IN RESPONSE TO A QUESTION
AS TO HOW MATTERS SHOULD BE PURSUED, PM SAID TO WORK
IT OUT WITH SHAFEI.

10. COMMENT: IN VIEW OF HIS MOST RECENT
EXPERIENCE, FREDERICKS WAS SOMEWHAT DISTRESSED AT
SUGGESTIONS THAT HE CONTINUE HIS DISCUSSIONS
WITH SHAFEI. AMBASSADOR POINTED OUT THAT IT IS QUITE
LIKELY SHAFEI WILL NOT BE IN NEW CABINET, WHICH
PRESIDENT SADAT CAN BE EXPECTED TO APPOINT SHORTLY
AFTER OCTOBER 16. HE SUGGESTED THEREFORE THAT
FORD AIM TO RETURN IN ABOUT THIRD WEEK OF OCTOBER,
PERHAPS STARTING WITH CALL ON PM SALIM (ASSUMING HE
STAYS IN OFFICE) AS A MEANS OF REOPENING DIALOGUE
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WITH NEWLY-APPOINTED MINISTERS.

11. FORD IS EVIDENTLY STILL INTERESTED IN PUTTING
TOGETHER A SUCCESSFUL INVESTMENT PROJECT IN EGYPT.
IT REMAINS TO BE SEEN, HOWEVER, ASSURANCE TO THE
CONTRARY, WHETHER OR NOT THE REMAINING CONCERNS OF
BOTH SIDES CAN BE ACCOMMODATED. AMBASSADOR ASSURED
FREDERICKS OF OUR CONTINUED INTEREST IN PROJECT
AND WILLINGNESS BE OF ALL POSSIBLE ASSISTANCE TO
FORD IN THEIR FUTURE EFFORTS.
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